

NAN FUNG INTERNATIONAL HOLDINGS LIMITED
(Incorporated in the British Virgin Islands with limited liability)

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED

30TH SEPTEMBER 2023

**REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION
TO THE BOARD OF DIRECTORS OF NAN FUNG INTERNATIONAL HOLDINGS
LIMITED**

(incorporated in the British Virgin Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 2 to 37, which comprises the condensed consolidated balance sheet of Nan Fung International Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30th September 2023 and the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and selected explanatory notes. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 5th December 2023

NAN FUNG INTERNATIONAL HOLDINGS LIMITED
(Incorporated in the British Virgin Islands with limited liability)

**CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2023**

		Unaudited For the six months ended 30th September	
	Note	2023 HK\$'000	2022 HK\$'000
Revenue	5, 6	1,748,047	1,389,448
Cost of sales		(603,194)	(312,197)
Gross profit		1,144,853	1,077,251
Net loss on financial investments	7	(1,257,165)	(1,644,658)
Other income and gains, net	8	188,318	105,378
Net change in fair values of investment properties		(3,093,875)	1,078,752
Other operating expenses		(1,094,963)	(1,210,371)
Operating loss	9	(4,112,832)	(593,648)
Finance income		432,403	200,207
Finance expenses		(125,331)	(139,529)
Other finance charges and net exchange difference on financing activities		38,994	227,452
Finance income, net	10	346,066	288,130
Share of results of			
- Joint ventures		(69,885)	428,826
- Associates		(205,470)	62,448
(Loss)/profit before income tax		(4,042,121)	185,756
Income tax credit/(expense)	11	118,017	(121,976)
(Loss)/profit for the period		(3,924,104)	63,780
(Loss)/profit for the period attributable to:			
- Owners of the Company		(3,973,731)	(51,680)
- Holders of perpetual capital securities		97,900	98,097
- Non-controlling interests		(48,273)	17,363
		(3,924,104)	63,780

NAN FUNG INTERNATIONAL HOLDINGS LIMITED
(Incorporated in the British Virgin Islands with limited liability)

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2023**

	Unaudited For the six months ended 30th September	
	2023 HK\$'000	2022 HK\$'000
(Loss)/profit for the period	(3,924,104)	63,780
Other comprehensive (loss)/income		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Share of other comprehensive loss of joint ventures and associates	(107,119)	(253,337)
Release of exchange reserve upon disposal of interest in/liquidation of subsidiaries	(43,030)	-
Cash flow hedges:		
Fair value change	-	(73,258)
Cost of hedging	(977)	72,050
Hedging gain/(loss) reclassified to profit or loss	29,944	(2,197)
Exchange translation differences	(1,411,104)	(2,936,319)
Other comprehensive loss for the period	(1,532,286)	(3,193,061)
Total comprehensive loss for the period	(5,456,390)	(3,129,281)
Total comprehensive (loss)/income for the period attributable to:		
- Owners of the Company	(5,417,188)	(3,091,769)
- Holders of perpetual capital securities	97,900	98,097
- Non-controlling interests	(137,102)	(135,609)
	(5,456,390)	(3,129,281)

NAN FUNG INTERNATIONAL HOLDINGS LIMITED
(Incorporated in the British Virgin Islands with limited liability)

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30TH SEPTEMBER 2023

	Note	Unaudited As at 30th September 2023 HK\$'000	Audited As at 31st March 2023 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	2,847,472	1,910,567
Investment properties	14	82,970,391	87,114,723
Right-of-use assets		839,096	887,480
Joint ventures	15	3,969,113	4,052,108
Associates	16	2,784,341	2,848,470
Financial assets at fair value through profit or loss		17,922,346	18,803,683
Loans and other receivables	17	4,344,312	4,724,210
Amounts due from investee companies		39,473	40,358
Deferred income tax assets		686,510	480,124
		<u>116,403,054</u>	<u>120,861,723</u>
Current assets			
Properties for sale		9,764,761	9,882,724
Trade and other receivables, deposits and prepayments	18	4,522,647	5,768,160
Financial assets at fair value through profit or loss		11,580,568	10,372,119
Prepaid tax		176,777	216,981
Cash and bank balances		10,830,264	14,674,829
		<u>36,875,017</u>	<u>40,914,813</u>
Total assets		<u><u>153,278,071</u></u>	<u><u>161,776,536</u></u>
EQUITY			
Equity attributable to the owner's of the Company			
Share capital	19	62,743,532	62,743,532
Reserves		42,928,399	48,345,587
		<u>105,671,931</u>	<u>111,089,119</u>
Perpetual capital securities	19	3,886,768	3,886,797
		<u>109,558,699</u>	<u>114,975,916</u>
Non-controlling interests		411,034	627,271
Total equity		<u><u>109,969,733</u></u>	<u><u>115,603,187</u></u>

NAN FUNG INTERNATIONAL HOLDINGS LIMITED
(Incorporated in the British Virgin Islands with limited liability)

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 30TH SEPTEMBER 2023

	Note	Unaudited As at 30th September 2023 HK\$'000	Audited As at 31st March 2023 HK\$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		3,399,522	3,622,656
Bank and other borrowings	20	26,119,856	30,973,189
Lease liabilities		95,476	106,564
Other long-term liabilities		29,665	34,110
		<u>29,644,519</u>	<u>34,736,519</u>
Current liabilities			
Trade and other payables, deposits and accruals	21	8,759,127	8,545,327
Contract liabilities		47,980	39,266
Financial liabilities at fair value through profit or loss		319,024	95,842
Lease liabilities		13,843	15,352
Bank and other borrowings	20	3,934,574	2,142,175
Tax payable		589,271	598,868
		<u>13,663,819</u>	<u>11,436,830</u>
Total liabilities		<u>43,308,338</u>	<u>46,173,349</u>
Total equity and liabilities		<u>153,278,071</u>	<u>161,776,536</u>

On behalf of the Board

Cheung Vincent Sai Sing
Director

Leung Kam Chung
Director

NAN FUNG INTERNATIONAL HOLDINGS LIMITED
(Incorporated in the British Virgin Islands with limited liability)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2023

	Unaudited							
	Attributable to equity holders of the Company					Perpetual capital securities HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Retained earnings HK\$'000	Merger reserve HK\$'000	Other reserves HK\$'000 (note (a))	Total HK\$'000			
At 1st April 2023	62,743,532	82,943,119	(33,060,444)	(1,537,088)	111,089,119	3,886,797	627,271	115,603,187
Comprehensive (loss)/income								
(Loss)/profit for the period	-	(3,973,731)	-	-	(3,973,731)	97,900	(48,273)	(3,924,104)
Other comprehensive loss	-	-	-	(1,443,457)	(1,443,457)	-	(88,829)	(1,532,286)
Total comprehensive (loss)/income	-	(3,973,731)	-	(1,443,457)	(5,417,188)	97,900	(137,102)	(5,456,390)
Capital injection of non-controlling interests	-	-	-	-	-	-	192,240	192,240
Acquisition of non-controlling interests	-	-	-	-	-	-	(83)	(83)
Settlement of non-controlling interests	-	-	-	-	-	-	(2,987)	(2,987)
Disposal of interest in subsidiary (note 22(b))	-	-	-	-	-	-	(268,305)	(268,305)
Distribution paid to holders of perpetual capital securities	-	-	-	-	-	(97,929)	-	(97,929)
	-	-	-	-	-	(97,929)	(79,135)	(177,064)
At 30th September 2023	62,743,532	78,969,388	(33,060,444)	(2,980,545)	105,671,931	3,886,768	411,034	109,969,733

NAN FUNG INTERNATIONAL HOLDINGS LIMITED
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2023

	Unaudited							
	Attributable to equity holders of the Company					Perpetual	Non-	Total
	Share capital HK\$'000	Retained earnings HK\$'000	Merger reserve HK\$'000	Other reserves HK\$'000 (note (a))	Total HK\$'000	capital securities HK\$'000	controlling interests HK\$'000	equity HK\$'000
At 1st April 2022	62,743,532	83,282,320	(33,060,444)	19,881	112,985,289	3,886,765	2,091,079	118,963,133
Comprehensive (loss)/income								
(Loss)/profit for the period	-	(51,680)	-	-	(51,680)	98,097	17,363	63,780
Other comprehensive loss	-	-	-	(3,040,089)	(3,040,089)	-	(152,972)	(3,193,061)
Total comprehensive (loss)/income	-	(51,680)	-	(3,040,089)	(3,091,769)	98,097	(135,609)	(3,129,281)
Dividend paid to owners of the Company (note 12)	-	(1,188,990)	-	-	(1,188,990)	-	-	(1,188,990)
Dividend paid to non-controlling interest	-	-	-	-	-	-	(804,585)	(804,585)
Capital injection of non-controlling interests	-	-	-	-	-	-	3,811	3,811
Acquisition of non-controlling interests	-	-	-	-	-	-	(6,520)	(6,520)
Distribution paid to holders of perpetual capital securities	-	-	-	-	-	(98,064)	-	(98,064)
	-	(1,188,990)	-	-	(1,188,990)	(98,064)	(807,294)	(2,094,348)
At 30th September 2022	62,743,532	82,041,650	(33,060,444)	(3,020,208)	108,704,530	3,886,798	1,148,176	113,739,504

Note (a): Other reserves mainly comprise exchange reserve, investment revaluation reserve and hedging reserve.

NAN FUNG INTERNATIONAL HOLDINGS LIMITED
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2023

		Unaudited For the six months ended 30th September	
	Note	2023 HK\$'000	2022 HK\$'000
Cash flows from operating activities			
Net cash generated from operations	22(a)	149,200	2,784,453
Profits tax paid		(36,997)	(39,487)
Net cash from operating activities		112,203	2,744,966
Cash flows from investing activities			
Interest received		429,925	194,757
Purchase of property, plant and equipment		(8,190)	(20,664)
Proceeds from disposal of property, plant and equipment		1,041	1,510
Additions to investment properties		(1,618,730)	(736,511)
Decrease in amounts due from investee companies		885	1,814
Decrease in amounts due to investee companies		(6,163)	-
Decrease/(increase) in amounts due from non-controlling interest		935,307	(8)
Dividends received from joint ventures		11,000	9,250
Dividends received from an associate		2,500	3,000
Decrease in investment in and amounts due from joint ventures		62,870	166,569
Decrease in investment in and amounts due from associates		31,279	51,081
Increase in amounts due to joint ventures		90,800	69,500
Increase in amounts due to associates		51,000	911
Net proceeds from disposal of interests in subsidiary	22(b)	324,380	-
Decrease in loans and other receivables		244,125	1,853,112
Decrease in amounts due from fellow subsidiary companies		2,317	2,218
Decrease in amounts due from related companies		1,281	1,630
Decrease in amount due from an immediate holding company		-	92,021
(Increase)/decrease in amounts due from ultimate holding company		(202)	51
Decrease/(increase) in short term bank deposits with original maturities more than three months		229,887	(419,390)
Net cash from investing activities		785,312	1,270,851

NAN FUNG INTERNATIONAL HOLDINGS LIMITED
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2023

	Unaudited For the six months ended 30th September	
	2023	2022
Note	HK\$'000	HK\$'000
Cash flows from financing activities		
Interest paid	(631,273)	(639,358)
Decrease in amounts due to related companies and individuals	(23,468)	(27,261)
Increase in amounts due to a fellow subsidiary company	-	41,000
(Decrease)/increase in amounts due to immediate holding company	26,706	(23)
(Decrease)/increase in amounts due to ultimate holding company	(998,091)	1,126
Capital injection from non-controlling interests	192,240	3,811
Decrease in amounts due to non-controlling interests	(45,787)	(27,932)
Principal elements of lease payments	(11,798)	(15,045)
Drawdown of bank and other borrowings	8,138,476	2,666,764
Repayment of bank and other borrowings	(10,705,809)	(3,726,305)
Dividend paid to non-controlling interest	-	(4,585)
Dividend paid to owners of the Company	-	(1,188,990)
Repayment of medium term note	(222,610)	(3,271,785)
Distribution paid to holders of perpetual capital securities	(97,929)	(98,064)
Acquisition of non-controlling interest	(83)	(6,520)
Settlement of non-controlling interest	(2,987)	-
Net cash used in financing activities	(4,382,413)	(6,293,167)
Net decrease in cash and cash equivalents	(3,484,898)	(2,277,350)
Cash and cash equivalents at the beginning of period	13,609,993	14,121,133
Currency translation differences	(129,780)	(175,767)
Cash and cash equivalents at the end of period	9,995,315	11,668,016
Analysis of the balance of the cash and cash equivalents:		
Bank balances and cash	4,945,076	3,706,536
Short-term bank deposits	5,885,188	9,423,576
	10,830,264	13,130,112
Less: bank deposits with original maturities more than three months	(834,949)	(1,462,096)
Cash and cash equivalents at the end of period	9,995,315	11,668,016

NAN FUNG INTERNATIONAL HOLDINGS LIMITED
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NOTES TO THE INTERIM FINANCIAL INFORMATION

1 General information

Nan Fung International Holdings Limited (the “Company”) is a limited liability company incorporated in the British Virgin Islands on 8th August 2011 and is wholly and beneficially owned by Dr. Chen Din Hwa (“Dr. Chen”). In June 2012, Dr. Chen had deceased.

The Company and its subsidiaries are collectively referred to as the “Group”. The ultimate holding company of the Company is Chen’s Group International Limited (“CGIL”). CGIL is wholly owned by Dr. Chen’s estates.

The address of the Company’s registered office is Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.

The Company’s principal activity is investment holding. The principal activities of the Group are property investment and development, hotel operation, investment holding and trading, building management, provision of construction contracting services and provision of properties related services.

The condensed consolidated interim financial information is presented in thousands of Hong Kong dollar (“HK\$’000”) unless otherwise stated. The condensed consolidated interim financial information was approved for issue by the Board of Directors on 5th December 2023.

2 Basis of preparation and summary of significant accounting policies

This condensed consolidated interim financial information for the six months ended 30th September 2023 has been prepared in accordance with the International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” issued by the International Accounting Standard Board.

The condensed consolidated interim financial information should be read in conjunction with the Group’s consolidated financial statements for the year ended 31st March 2023, which were prepared in accordance with International Financial Reporting Standards (“IFRS”). The accounting policies and disclosures applied are consistent with those of the Group’s consolidated financial statements for the year ended 31st March 2023.

(i) New standard and amendments to standards adopted by the Group

The Group has adopted the following new standard and amendments to standards which are mandatory for the financial year beginning 1st April 2023 and are relevant to its operation.

IAS 1 and IFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies
IAS 8 (Amendments)	Definition of Accounting Estimates
IAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities Arising from a Single Transaction
IAS 12 (Amendments)	International Tax Reform – Pillar Two Model Rules
IFRS 17 and IFRS 17 (Amendments)	Insurance contracts
IFRS 17	Initial Application of IFRS 17 and IFRS 9 – Comparative Information

The Group has assessed the impact of the adoption of these new standard and amendments to standards and considered there is no significant impact on the Group’s results, financial position or the Group’s accounting policies and presentation of the interim financial information.

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NOTES TO THE INTERIM FINANCIAL INFORMATION

2 Basis of preparation and summary of significant accounting policies (Continued)

- (ii) New standard and amendments to standards which are not yet effective for this financial period and have not been early adopted by the Group

The Group has not early adopted the following new standard and amendments to standards that have been issued but are not yet effective for the period and are relevant to its operation:

		Effective for accounting periods beginning on or after
IAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1st January 2024
IAS 1 (Amendments)	Non-current Liabilities with Covenants	1st January 2024
IAS 7 and IFRS 7	Supplier Finance Arrangements	1st January 2024
IAS 16 (Amendments)	Lease Liability in a Sale and Leaseback	1st January 2024
IFRS S1	General Requirements for Disclosure of Sustainability – related Financial Information	1st January 2024
IFRS S2	Climate – related Disclosures	1st January 2024
IAS 21 (Amendments)	Lack of Exchangeability	1st January 2025
IFRS 10 and IAS 28 (Amendments)	Sale or contribution of assets between an investor and its Associate or Joint Venture	To be determined

The Group will adopt the above new standard and amendments to standards and is in the process of assessing the impact on the consolidated financial statements.

3 Financial risk management

(a) Financial risk factors

The Group's activities expose it to various types of financial risk which include equity price risk, credit risk, interest rate risk, foreign exchange risk and liquidity risk. The Group's overall risk management programme seeks to minimise the potential adverse effects it may have on the Group's financial performance.

The condensed consolidated interim financial information does not include all financial risk management information and should be read in conjunction with the Group's consolidated financial statements for the year ended 31st March 2023. There have been no changes in the Group's financial risk management programme and policies since last year end.

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NOTES TO THE INTERIM FINANCIAL INFORMATION

3 Financial risk management (Continued)

(b) Fair value estimation

Financial instruments carried at fair value

The financial instruments are measured in the condensed consolidated balance sheet at fair value in accordance with IFRS 13. This requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table represents the Group's financial instruments measured at fair value:

	Valuation Hierarchy			
	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 30th September 2023				
<u>Assets</u>				
Amounts due from joint ventures at fair value through profit or loss	-	-	224,410	224,410
Loans receivable at fair value through profit or loss	-	-	522,167	522,167
Financial assets at fair value through profit or loss				
- listed	13,892,518	-	-	13,892,518
- unlisted	-	297,365	15,313,031	15,610,396
Total	13,892,518	297,365	16,059,608	30,249,491
<u>Liabilities</u>				
Amounts due to non-controlling interests at fair value through profit or loss	-	(744,826)	-	(744,826)
Financial liabilities at fair value through profit or loss				
- unlisted	-	(319,024)	-	(319,024)
Total	-	(1,063,850)	-	(1,063,850)

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NOTES TO THE INTERIM FINANCIAL INFORMATION

3 Financial risk management (Continued)

(b) Fair value estimation (Continued)

Financial instruments carried at fair value (Continued)

	Valuation Hierarchy			
	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31st March 2023				
<u>Assets</u>				
Amounts due from joint ventures at fair value through profit or loss	-	-	312,736	312,736
Loans receivable at fair value through profit or loss	-	-	595,749	595,749
Financial assets at fair value through profit or loss				
- listed	12,613,491	-	-	12,613,491
- unlisted	-	463,815	16,098,496	16,562,311
Total	12,613,491	463,815	17,006,981	30,084,287
<u>Liabilities</u>				
Amounts due to non-controlling interests at fair value through profit or loss	-	(690,453)	-	(690,453)
Financial liabilities at fair value through profit or loss				
- listed	(1,218)	-	-	(1,218)
- unlisted	-	(94,624)	-	(94,624)
Total	(1,218)	(785,077)	-	(786,295)

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Unlisted investments are stated at fair values which are estimated using other prices observed in recent transactions or valuation techniques when the market price is not readily available. If all significant inputs required to estimate the fair value of an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

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NOTES TO THE INTERIM FINANCIAL INFORMATION

3 Financial risk management (Continued)

(b) Fair value estimation (Continued)

Financial instruments carried at fair value (Continued)

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- Regression model by benchmarking the movement of market index to the unlisted funds portfolio are used for the valuation of unlisted fund.
- Other techniques, such as multiple approach, discounted cash flow analysis and option pricing models, are used to determine fair value for the remaining financial instruments.

At 30th September 2023, financial assets at fair value through profit or loss of HK\$15,313,031,000 (31st March 2023: HK\$16,098,496,000) are measured with valuation techniques using significant unobservable inputs (level 3). It mainly included private equity funds, unquoted direct investments, fixed income fund, venture capital funds and others level 3 investments.

Fair values of the unlisted funds are mainly determined based on the net asset values of the unlisted funds from fund statements, representing the fair values of the funds reported by respective fund administrators. If the fund statements as at reporting date are not available, the Group will estimate the fair value change of the unlisted funds from the date of latest fund statements to the reporting date through a regression model by benchmarking with the movement of market index for investments in similar industries. The higher the net assets value of underlying investments and the market index, the higher the fair values of the unlisted fund.

Fair values of unquoted direct investment are determined by the Group using various valuation techniques. Such valuation techniques may consider market multiple of comparable type of investments, original transaction price and take into account relevant developments since the acquisition of the investments and other factor pertinent to the valuation of the investments such as preferential rights of the shares held, market volatility and initial public offering probability, with reference to recent third party transactions of comparable type of instruments and reliable indicative offers from potential buyers. The higher the market multiples and comparable transaction prices, the higher the fair values of unquoted direct investment.

The determination of fair value is subject to the valuation policies and procedures formulated by the Group's Investment Department and the oversight of senior management committees. These policies and procedures facilitate the exercise of judgement in determining the risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors used in the valuation process. Judgement may also be applied in adjusting prices of less readily observable external parameters. The management considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally accepted within the industry.

There is no transfer between level 1, level 2 and 3 during the period.

NAN FUNG INTERNATIONAL HOLDINGS LIMITED
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3 Financial risk management (Continued)

(b) Fair value estimation (Continued)

Financial instruments carried at fair value (Continued)

The following represents the changes in level 3 instruments for the six months ended 30th September 2023:

	Amounts due from joint ventures at fair value through profit or loss HK\$'000	Loans receivable at fair value through profit or loss HK\$'000	Financial assets at fair value through profit or loss HK\$'000
At 1st April 2023	312,736	595,749	16,098,496
Additions	889	-	519,659
Repayment	(89,215)	(94,566)	-
Disposal	-	-	(48,995)
Return of capital	-	-	(563,784)
Total realised gain recognised in income statement	-	1	48,887
Total unrealised gain/(loss) recognised in income statement	-	20,983	(699,799)
Exchange translation differences	-	-	(41,433)
At 30th September 2023	224,410	522,167	15,313,031
At 1st April 2022	487,773	912,695	18,106,868
Additions	-	-	656,599
Repayment	(117,835)	(221,367)	-
Disposal	-	-	(104,010)
Return of capital	-	-	(370,011)
Total realised gain recognised in income statement	-	-	49,172
Total unrealised gain/(loss) recognised in income statement	-	24,974	(901,809)
Exchange translation differences	-	-	49,402
At 30th September 2022	369,938	716,302	17,486,211

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4 Critical accounting estimates and judgements

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31st March 2023.

5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors who make strategic decisions.

Management has determined the operating segments based on these reports and analysed from a business perspective, including subsidiaries, joint ventures and associates:

- Hong Kong properties (including construction services)
- Mainland China and overseas properties
- Financial investment (including investments exempt for equity accounting)
- Corporate, treasury and others

Segment assets consist primarily of property, plant and equipment, investment properties, right-of-use assets, joint ventures, associates, financial assets at fair value through profit or loss, loans and other receivables, amounts due from investee companies, properties for sale, trade and other receivables, deposits and prepayments and cash and bank balances. Other assets comprise mainly prepaid tax and deferred income tax assets.

Segment liabilities comprise operating liabilities. Other liabilities include amount due to immediate holding company and ultimate holding company, tax payable, bank and other borrowings and deferred income tax liabilities.

Segment results represent profit before income tax and exclude item which is not specifically attributable to individual reportable segments, such as finance income, finance expenses, other finance charges and net exchange difference on financing activities.

The chief operating decision maker consider dividend income and interest income from debt and convertible securities included in "Net loss on financial investments" as "Revenue" under financial investment segment for making strategic decision. Therefore, dividend income of HK\$606,284,000 (for the six months ended 30th September 2022: HK\$684,681,000) and interest income from debt and convertible securities of HK\$31,455,000 (for the six months ended 30th September 2022: HK\$8,226,000) are grouped under "Revenue" under financial investment segment for segment results presentation.

Capital expenditure comprises additions to non-current assets other than the financial instruments and deferred income tax assets.

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5 Segment reporting (Continued)

The segment results for the six months ended 30th September 2023 are as follows:

	<u>The Company and its subsidiaries</u>		<u>Joint ventures</u>		<u>Associates</u>		<u>Total</u>	
	Revenue	Results	Share of revenue	Share of results	Share of revenue	Share of results	Segment revenue	Segment results
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong properties	897,457	(1,987,753)	307,281	133,812	155,845	(257,785)	1,360,583	(2,111,726)
Mainland China								
properties	565,300	189,384	-	-	82,217	52,315	647,517	241,699
Overseas properties	285,290	(734,484)	92,740	(203,697)	-	-	378,030	(938,181)
Financial investment	637,739	(1,366,275)	-	-	-	-	637,739	(1,366,275)
Corporate, treasury and others	-	(213,704)	-	-	-	-	-	(213,704)
	<u>2,385,786</u>	<u>(4,112,832)</u>	<u>400,021</u>	<u>(69,885)</u>	<u>238,062</u>	<u>(205,470)</u>	<u>3,023,869</u>	<u>(4,388,187)</u>
Segment results								(4,388,187)
Finance income, net								346,066
Loss before income tax								(4,042,121)
Income tax credit								118,017
Loss for the period								<u>(3,924,104)</u>

The segment results for the six months ended 30th September 2022 are as follows:

	<u>The Company and its subsidiaries</u>		<u>Joint ventures</u>		<u>Associates</u>		<u>Total</u>	
	Revenue	Results	Share of revenue	Share of results	Share of revenue	Share of results	Segment revenue	Segment results
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong properties	605,413	1,112,876	925,836	526,708	125,293	29,600	1,656,542	1,669,184
Mainland China								
properties	519,934	416,808	-	-	65,809	32,848	585,743	449,656
Overseas properties	264,706	(7,160)	109,499	(97,898)	-	-	374,205	(105,058)
Financial investment	692,302	(2,317,888)	-	16	-	-	692,302	(2,317,872)
Corporate, treasury and others	-	201,716	-	-	-	-	-	201,716
	<u>2,082,355</u>	<u>(593,648)</u>	<u>1,035,335</u>	<u>428,826</u>	<u>191,102</u>	<u>62,448</u>	<u>3,308,792</u>	<u>(102,374)</u>
Segment results								(102,374)
Finance income, net								288,130
Profit before income tax								185,756
Income tax expense								(121,976)
Profit for the period								<u>63,780</u>

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5 Segment reporting (Continued)

The segment assets and liabilities at 30th September 2023 are as follows:

	The Company and its subsidiaries HK\$'000	Joint ventures HK\$'000	Associates HK\$'000	Total assets HK\$'000	Total liabilities HK\$'000
Hong Kong properties	64,416,557	4,150,419	3,818,334	72,385,310	(4,899,449)
Mainland China properties	24,191,274	-	2,348,520	26,539,794	(1,782,340)
Overseas properties	14,657,974	608,401	-	15,266,375	(414,184)
Financial investment	32,845,842	2,595	-	32,848,437	(1,394,775)
Corporate and treasury	5,374,868	-	-	5,374,868	(685,707)
	<u>141,486,515</u>	<u>4,761,415</u>	<u>6,166,854</u>	<u>152,414,784</u>	<u>(9,176,455)</u>
Deferred income tax assets				686,510	-
Prepaid tax				176,777	-
Bank and other borrowings				-	(30,054,430)
Amounts due to immediate holding company				-	(67,231)
Amounts due to ultimate holding company				-	(21,429)
Deferred income tax liabilities				-	(3,399,522)
Tax payable				-	(589,271)
Consolidated total assets/(liabilities)				<u>153,278,071</u>	<u>(43,308,338)</u>

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5 Segment reporting (Continued)

The segment assets and liabilities at 31st March 2023 are as follows:

	The Company and its subsidiaries HK\$'000	Joint ventures HK\$'000	Associates HK\$'000	Total assets HK\$'000	Total liabilities HK\$'000
Hong Kong properties	65,156,957	4,090,477	4,083,429	73,330,863	(3,735,990)
Mainland China properties	26,934,937	-	2,429,855	29,364,792	(1,913,079)
Overseas properties	15,329,486	814,202	-	16,143,688	(438,525)
Financial investment	32,144,214	2,601	-	32,146,815	(1,050,765)
Corporate and treasury	10,093,273	-	-	10,093,273	(638,057)
	<u>149,658,867</u>	<u>4,907,280</u>	<u>6,513,284</u>	<u>161,079,431</u>	<u>(7,776,416)</u>
Deferred income tax assets				480,124	-
Prepaid tax				216,981	-
Bank and other borrowings				-	(33,115,364)
Amounts due to immediate holding company				-	(40,525)
Amounts due to ultimate holding company				-	(1,019,520)
Deferred income tax liabilities				-	(3,622,656)
Tax payable				-	(598,868)
Consolidated total assets/(liabilities)				<u>161,776,536</u>	<u>(46,173,349)</u>

The Group's depreciation and amortisation, additions to non-current assets other than the financial instruments and deferred income tax assets are as follows:

	<u>Depreciation and amortisation</u>		<u>Additions to non-current assets</u>	
	For the six months ended 30th September		For the six months ended 30th September	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong properties	35,418	36,458	1,808,797	801,035
Mainland China properties	37,982	40,439	215,510	53,602
Overseas properties	942	773	154,881	375,994
Financial investment	6,643	5,444	2,199	8,286
Corporate and treasury	4,564	7,553	2,406	6,806
	<u>85,549</u>	<u>90,667</u>	<u>2,183,793</u>	<u>1,245,723</u>

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5 Segment reporting (Continued)

The following is an analysis of the Group's revenue by geographical areas in which the customer/operations are located, irrespective of the origin of the goods/services:

	For the six months ended 30th September	
	2023	2022
	HK\$'000	HK\$'000
Hong Kong	1,535,196	1,297,715
Mainland China	565,300	519,934
Overseas	285,290	264,706
	<u>2,385,786</u>	<u>2,082,355</u>

The following is an analysis of the Group's non-current assets other than financial instruments and deferred income tax assets by areas in which the business operations/assets are located.

	As at 30th September 2023 HK\$'000	As at 31st March 2023 HK\$'000
Hong Kong	53,754,912	54,106,471
Mainland China	25,620,924	27,612,591
Overseas	14,034,577	15,094,286
	<u>93,410,413</u>	<u>96,813,348</u>

6 Revenue

	For the six months ended 30th September	
	2023	2022
	HK\$'000	HK\$'000
Recognised at a point in time		
- sale of properties	320,360	49,884
- hotel revenue – food and beverage sales	70,144	45,126
Recognised over time		
- construction revenue	55,249	32,691
- hotel revenue – room rental	134,855	120,348
- property management fee income	170,428	163,257
From other sources		
- gross rental income	975,779	953,757
- interest income from loans receivable classified as financial assets at fair value through profit or loss	21,232	24,385
	<u>1,748,047</u>	<u>1,389,448</u>

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7 Net loss on financial investments

	For the six months ended 30th September	
	2023	2022
	HK\$'000	HK\$'000
Dividend income (note (a))	606,284	684,681
Interest income from debt and convertible securities	31,455	8,226
Net loss on financial assets at fair value through profit or loss (note (b))	(1,646,738)	(2,566,011)
Net gain on derivatives (note (c))	(248,166)	228,446
	<u>(1,257,165)</u>	<u>(1,644,658)</u>

Notes:

- (a) Amounts mainly include cash distribution and share distribution in kind (of the underlying investment held by the fund) from fund investments during the period.
- (b) The amount comprises realised gain of HK\$222,172,000 (for the six months ended 30th September 2022: HK\$153,504,000) and unrealised loss of HK\$1,868,910,000 (for the six months ended 30th September 2022: HK\$2,719,515,000) on financial assets at fair value through profit or loss.
- (c) The amount comprises realised gain of HK\$59,560,000 (for the six months ended 30th September 2022: HK\$2,205,000) and unrealised loss of HK\$307,726,000 (for the six months ended 30th September 2022: unrealised gain of HK\$226,241,000) on derivatives.

8 Other income and gains, net

	For the six months ended 30th September	
	2023	2022
	HK\$'000	HK\$'000
Unrealised gain on loans receivable at fair value through profit or loss (note 17(c))	20,983	24,974
Net gain on disposal of loan receivable at fair value through profit or loss	1	-
Unrealised gain on amount due to non-controlling interest at fair value through profit or loss (note 21(d))	19,503	44,338
Net gain on disposal of interests in/liquidation of subsidiaries	29,378	-
Net gain on disposal of property, plant and equipment	1,041	536
Write-off of property, plant and equipment	(414)	-
Net write-back of loss allowances of financial assets (note)	71	4,935
Net exchange loss	(18,331)	(72,532)
Others	136,086	103,127
	<u>188,318</u>	<u>105,378</u>

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8 Other income and gains, net (Continued)

Note:

The amount comprises net write-back of loss allowances of trade receivables of HK\$3,263,000 (for the six months ended 30th September 2022: HK\$11,319,000) and net provision for loss allowances of other receivables of HK\$3,192,000 (for the six months ended 30th September 2022: HK\$6,384,000).

9 Operating loss

Operating loss is arrived at after charging:

	For the six months ended 30th September	
	2023	2022
	HK\$'000	HK\$'000
Cost of properties sold	192,898	24,945
Hotel direct costs (note)	93,012	65,338
Outgoings in respect of rental income	259,005	190,441
Depreciation of		
- property, plant and equipment (note 13)	60,848	65,381
- right-of-use assets	24,701	25,286
Staff costs (net of amount capitalised in properties under construction of HK\$75,469,000 (for the six months ended 30th September 2022: HK\$70,744,000))	544,218	523,906
Marketing and selling expenses	49,035	63,985
Short-term and low-value leases expenses	3,152	9,634
Research and development expenses	92,245	79,320
	<u> </u>	<u> </u>

Note:

The amount comprised staff cost of HK\$40,768,000 (for the six months ended 30th September 2022: HK\$31,887,000).

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10 Finance income, net

	For the six months ended 30th September	
	2023	2022
	HK\$'000	HK\$'000
Interest income on		
- amounts due from		
- joint ventures	16,813	16,047
- associates	62,944	43,356
- an investee company	951	333
- bank deposits	297,589	83,518
- loans and other receivables	45,498	53,653
- others	8,608	3,300
	<u>432,403</u>	<u>200,207</u>
Interest expenses on		
- bank borrowings	(398,818)	(269,250)
- guaranteed notes	(260,161)	(340,667)
- amounts due to non-controlling interest	(21,087)	(21,087)
- lease liabilities	(1,966)	(2,328)
- others	(202)	(375)
	<u>(682,234)</u>	<u>(633,707)</u>
Total finance costs incurred	(682,234)	(633,707)
Less: amount capitalised to investment properties and properties for sale under development	556,903	494,178
	<u>(125,331)</u>	<u>(139,529)</u>
Total finance costs expensed during the period	(125,331)	(139,529)
Interest income, net	307,072	60,678
Other finance charges	(46,250)	(11,224)
Net exchange gain on financing activities	85,244	238,676
	<u>346,066</u>	<u>288,130</u>
Finance income, net	346,066	288,130

11 Income tax (credit)/expense

Taxes on income in the interim period are accrued using the tax rate that would be applicable to expected total annual earnings. Hong Kong profits tax has been provided at the rate of 16.5% (for the six months ended 30th September 2022: 16.5%) on the estimated assessable profits for the period. Subsidiaries established and operated in the Mainland China are subject to corporate income tax at the rate of 25% (for the six months ended 30th September 2022: 25%). Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the Group operates.

Withholding tax is levied on profit distribution or dividend income upon declaration or remittance at the rates of taxation prevailing in the Mainland China and overseas countries.

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11 Income tax (credit)/expense (Continued)

The amount of income tax charged/(credited) to the condensed consolidated income statement represents:

	For the six months ended 30th September	
	2023	2022
	HK\$'000	HK\$'000
Current income tax		
Hong Kong profits tax	42,223	31,845
Mainland China income tax	31,908	11
Overseas profits tax	8,429	14,851
Withholding tax	26,049	21,299
Deferred income tax	(226,626)	53,970
	<u>(118,017)</u>	<u>121,976</u>

The Group's share of tax charge of joint ventures and associates for the six months ended 30th September 2023 totalling HK\$52,764,000 (for the six months ended 30th September 2022: HK\$112,793,000) is included in the condensed consolidated income statement as share of results of joint ventures and associates.

12 Dividend

	For the six months ended 30th September	
	2023	2022
	HK\$'000	HK\$'000
Dividend paid of HK\$0.019 per share	-	1,188,990

13 Property, plant and equipment

	2023	2022
	HK\$'000	HK\$'000
Net book amount:		
At 1st April	1,910,567	2,100,220
Additions	6,668	20,664
Transfer	1,060,000	-
Write-off and disposals	(414)	(974)
Disposal of subsidiary	(30)	-
Charge for the period	(60,848)	(65,381)
Exchange differences	(68,471)	(133,740)
At 30th September	<u>2,847,472</u>	<u>1,920,789</u>

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14 Investment properties

	2023 HK\$'000	2022 HK\$'000
At 1st April	87,114,723	87,544,260
Additions	2,175,633	1,180,977
Transfer	(1,060,000)	-
Disposal of subsidiary	(547,239)	-
Net change in fair values	(3,093,875)	1,078,752
Exchange differences	(1,618,851)	(3,897,405)
At 30th September	<u>82,970,391</u>	<u>85,906,584</u>

The analysis of valuation of the above investment properties at 30th September 2023 and 31st March 2023 are as follows:

	As at 30th September 2023 HK\$'000	As at 31st March 2023 HK\$'000
At external professional valuation	<u>82,970,391</u>	<u>87,114,723</u>

15 Joint ventures

	As at 30th September 2023 HK\$'000	As at 31st March 2023 HK\$'000
Share of net assets	<u>3,969,113</u>	<u>4,052,108</u>

Note: The amounts due to joint ventures are unsecured, interest free and repayable on demand.

As at 30th September 2023 and 31st March 2023, the Company provided financial guarantee to certain joint ventures (proportionate to the Group's effective interest in the joint ventures) for bank loans related to Hong Kong and overseas property development projects. Those underlying bank loans are secured by other assets of the respective joint ventures, which mainly includes investment properties and cash and bank balances held under the joint ventures.

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16 Associates

	As at 30th September 2023 HK\$'000	As at 31st March 2023 HK\$'000
Share of net assets	2,784,341	2,848,470

Note: The amounts due to associates are unsecured, interest free and repayable on demand.

Included in amounts due from associates of HK\$3,382,513,000 (31st March 2023: HK\$3,664,813,000) disclosed in note 17, HK\$3,008,568,000 (31st March 2023: HK\$3,285,836,000) form part of net investments in associates. As at 30th September 2023, amounts due from associates included share of losses of associates of HK\$509,432,000 (31st March 2023: HK\$229,764,000).

17 Loans and other receivables

	As at 30th September 2023 HK\$'000	As at 31st March 2023 HK\$'000
Loans receivable at amortised cost		
- secured loans (note (a))	427,615	577,178
- unsecured loans (note (b))	117,446	117,746
Loans receivable at fair value through profit or loss (note (c))	522,167	595,749
Amounts due from joint ventures		
- at amortised cost (note (d))	567,892	542,436
- at fair value through profit or loss (note (e))	224,410	312,736
Amounts due from associates at amortised cost (note (f))	3,382,513	3,664,813
Amount due from non-controlling interests at amortised cost (note (g))	42,145	977,452
	5,284,188	6,788,110
Less: current portion of		
- loans receivable		
- at amortised cost (note (a) and note 18)	(425,000)	(575,000)
- at fair value through profit or loss (note (c) and note 18)	(26,970)	(63,561)
- amounts due from joint ventures (note (d), (e) and note 18)	(71,816)	(68,910)
- amounts due from associates (note (f) and note 18)	(373,945)	(378,977)
amounts due from non-controlling interests at amortised cost (note (g) and note 18)	(42,145)	(977,452)
	4,344,312	4,724,210

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NOTES TO THE INTERIM FINANCIAL INFORMATION

17 Loans and other receivables (Continued)

Notes:

- (a) As at 30th September 2023, the balance includes an amount of HK\$425,000,000 (31st March 2023: HK\$575,000,000) which carries interest at prevailing market rate, is repayable in February 2024 and denominated in HK dollar.
- (b) As at 30th September 2023, the balance includes an amount of HK\$117,446,000 (31st March 2023: HK\$117,746,000) which carries interest at 12% (31st March 2023: 12%) per annum, is repayable in July 2029 and denominated in US dollar.
- (c) As at 30th September 2023, loans receivable at fair value through profit or loss are interest free for the initial two or three years and subsequently bear interest at variable interest rate. The maturity of the balance are ranging from 10 to 20 years from drawdown date. The fair value is calculated based on cash flows discounted using prevailing market rates and the repayment dates estimated by the Group. Interest income from the loans receivable at fair value through profit or loss of HK\$21,232,000 (for the six months ended 30th September 2022: HK\$24,385,000) and unrealised gain on loans receivable of HK\$20,983,000 (for the six months ended 30th September 2022: HK\$24,974,000) are recognised in the condensed consolidated income statement.
- (d) As at 30th September 2023, except for an amount of HK\$98,083,000 (31st March 2023: HK\$95,177,000) which is interest free, an amount of HK\$469,809,000 (31st March 2023: HK\$447,259,000) carries interest at 4.25% (31st March 2023: 4.25%) per annum. The balances are unsecured, repayable on demand and denominated in HK dollar.
- (e) The fair value of amounts due from joint ventures at fair value through profit or loss is determined based on cash flows discounted using prevailing market rates and the repayment dates estimated by the Group.

The balance includes an amount of HK\$114,010,000 (31st March 2023: HK\$175,925,000) which carries interest at prevailing market rates and an amount of HK\$110,400,000 (31st March 2023: HK\$136,811,000) which carries interest at fixed rate ranging from 2.9% to 2.95% (31st March 2023: 2.9% to 2.95%) per annum. The maturity of the balance are ranging from 6 to 30 years from drawdown date.

- (f) As at 30th September 2023, the balance includes an amount of HK\$373,945,000 (31st March 2023: HK\$378,977,000) which is interest free and an amount of HK\$3,518,000,000 (31st March 2023: HK\$3,515,600,000) which bears interest fixed rate of 3.57% (31st March 2023: 2.47%) per annum. The balances are unsecured, repayable on demand and denominated in HK dollar. The balance also includes an amount of share of losses of associates of HK\$509,432,000 (31st March 2023: HK\$229,764,000).
- (g) As at 30th September 2023, the balance includes an amount of HK\$42,145,000 (31st March 2023: HK\$42,144,000) which is unsecured, interest free and repayable on demand. As at 31st March 2023, the balance includes an amount of HK\$935,308,000 representing the present value of the consideration receivable for partial disposal of property development project in Mainland China which was fully settled and amount of HK\$10,737,000 (for the six months ended 30th September 2022: HK\$21,173,000) is recognised as finance income during the period ended 30th September 2023. The balance is denominated in HK dollar.

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18 Trade and other receivables, deposits and prepayments

	As at 30th September 2023 HK\$'000	As at 31st March 2023 HK\$'000
Trade receivables	410,976	469,145
Less: Provision for loss allowance of trade receivables	(43,661)	(51,098)
Trade receivables, net of provision	367,315	418,047
Other receivables and deposits	2,670,305	2,817,359
Interest receivable	111,730	109,252
Stakeholders' accounts	156,529	112,157
Prepayments	180,380	188,171
Contract cost assets	20,078	21,442
Contract assets	59,741	17,743
Loans receivable at amortised cost (note 17)	425,000	575,000
Loans receivable at fair value through profit or loss (note 17)	26,970	63,561
Amounts due from fellow subsidiary companies (note)	3,624	7,188
Amounts due from joint ventures (note 17)	71,816	68,910
Amounts due from associates (note 17)	373,945	378,977
Amounts due from investee companies (note)	935	936
Amounts due from non-controlling interests (note 17)	42,145	977,452
Amounts due from related companies (note)	4,272	4,305
Amounts due from ultimate holding company (note)	7,862	7,660
	<u>4,522,647</u>	<u>5,768,160</u>

Note: The balances are unsecured, interest free and repayment on demand.

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19 Share capital and perpetual capital securities

Share capital

	Number of shares (Thousands)	Amount HK\$'000
Authorised:		
Ordinary shares of 1 Hong Kong dollar each		
At 31st March 2023 and 30th September 2023	1,000,000,000	1,000,000,000
Issued and fully paid:		
Ordinary shares of 1 Hong Kong dollar each		
At 31st March 2023 and 30th September 2023	62,743,532	62,743,532

Perpetual capital securities

	As at 30th September 2023 HK\$'000	As at 31st March 2023 HK\$'000
US\$500 million issued in 2020	3,886,768	3,886,797

On 10th September 2020, a wholly owned subsidiary of the Group (the “Issuer”) issued 5% perpetual capital securities with an aggregate principal of US\$500 million for cash. The perpetual capital securities are guaranteed by the Company.

These securities are perpetual and the coupon payment can be deferred at the discretion of the Issuer and there is no limit as to the number of times of deferral of coupon payment. When the Company or the Issuer elects to declare dividends to their ordinary shareholders, the Issuer shall make distribution to the holders of perpetual securities at the distribution rates as defined in the subscription agreement.

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20 Bank and other borrowings

	As at 30th September 2023 HK\$'000	As at 31st March 2023 HK\$'000
Long-term bank borrowings (note (a))		
- secured	4,917,282	10,173,703
- unsecured	10,406,649	8,282,190
Other long-term borrowings (note (a))		
- secured	221,555	185,585
Long-term medium term notes (note (b))		
- listed	12,070,255	12,314,780
- unlisted	499,082	498,975
Less: current portion of long-term bank borrowings	(288,085)	(296,459)
Less: current portion of other long-term borrowings	(221,555)	(185,585)
Less: current portion of long-term medium term notes	(1,485,327)	-
	<u>26,119,856</u>	<u>30,973,189</u>
Current portion of long-term bank borrowings (note (a))		
- secured	288,085	296,459
Current portion of other long-term borrowings (note (a))		
- secured	221,555	185,585
Other short-term bank borrowings (note (a))		
- secured	859,923	862,122
- unsecured	1,079,684	798,009
Current portion of long-term medium term notes (note (b))		
- unlisted	1,485,327	-
	<u>3,934,574</u>	<u>2,142,175</u>
Total bank and other borrowings	<u>30,054,430</u>	<u>33,115,364</u>

As at 30th September 2023 and 31st March 2023, the Group's bank and other borrowings are repayable as follows:

	As at 30th September 2023 HK\$'000	As at 31st March 2023 HK\$'000
Within one year	3,934,574	2,142,175
Between one and two years	3,367,876	6,889,107
Between two and three years	3,312,713	2,383,653
Between three and four years	5,900,277	6,088,257
Between four and five years	8,824,564	6,839,245
Over five years	4,714,426	8,772,927
	<u>30,054,430</u>	<u>33,115,364</u>

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20 Bank and other borrowings (Continued)

Notes:

- (a) These bank borrowings are secured by property, plant and equipment, investment properties, right-of-use assets and financial assets at fair value through profit or loss (note 25).

The effective interest rate based on the prevailing market rates on the bank borrowings as at 30th September 2023 is 4.22% (31st March 2023: 3.05%) per annum.

- (b) Nan Fung Treasury Limited, a subsidiary of the Group has established a Medium Term Note Programme (“MTN”). The aggregate principal amount of US\$3 billion. As at 30th September 2023 and 31st March 2023, the Group has drawdown of HK\$500 million (31st March 2023: HK\$500 million) which is unlisted and US\$1,554.8 million (31st March 2023: US\$1,583.2 million) which is listed on Singapore Exchange Securities Trading Limited. The details of the drawdown are as follows:

Issue dates	Principal loan drawdown amounts	Maturity date	Interest yield per annum	Interests in arrear
29th May 2014	US\$189.9 million (note 1)	29th May 2024	4.875%	Semi-annually
13th September 2017	HK\$500 million	13th September 2027	3.65%	Quarterly
3rd October 2017	US\$385.8 million (note 2)	3rd October 2027	3.875%	Semi-annually
5th September 2018	US\$479.1 million (note 3)	5th September 2028	5.00%	Semi-annually
27th August 2020	US\$500 million	27th August 2030	3.625%	Semi-annually

The MTN is guaranteed unconditionally and irrevocably by the Company. As at 30th September 2023, the fair values of the MTN are HK\$11,279,096,000 (31st March 2023: HK\$12,100,254,000). Of which, US\$1,383,037,000 equivalent to HK\$10,828,766,000 (31st March 2023: US\$1,481,700,000 equivalent to HK\$11,630,899,000) is within level 1 of fair value hierarchy and the remaining HK\$450,330,000 (31st March 2023: HK\$469,355,000) is within level 2 of fair value hierarchy which is estimated using other comparable prices observed in the market. Total remaining capacity of the MTN amounted to US\$1,381,397,000 (31st March 2023: US\$1,353,129,000).

Notes:

- (1) During the period ended 30th September 2023, the Group repurchased US\$3.6 million MTN from third party and subsequently cancelled, resulting in a decrease in drawdown balance from US\$193.5 million to US\$189.9 million.
- (2) During the period ended 30th September 2023, the Group repurchased US\$4.2 million MTN from third party and subsequently cancelled, resulting in a decrease in drawdown balance from US\$390 million to US\$385.8 million.
- (3) During the period ended 30th September 2023, the Group repurchased US\$20.6 million MTN from third party and subsequently cancelled, resulting in a decrease in drawdown balance from US\$499.7 million to US\$479.1 million.
- (c) As at 30th September 2023, the Group had HK\$16,128,081,000 (31st March 2023: HK\$21,432,200,000) undrawn banking facilities.

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21 Trade and other payables, deposits and accruals

	As at 30th September 2023 HK\$'000	As at 31st March 2023 HK\$'000
Trade and other payables and accruals	1,403,301	1,147,571
Accruals for construction work	2,063,443	1,260,301
Rental and other deposits received	652,557	619,517
Deferred income	14,712	15,925
Amounts due to customers for contract work	-	5,143
Amounts due to joint ventures (note 15)	641,260	550,460
Amounts due to associates (note 16)	54,012	3,012
Amounts due to investee companies (note (a))	9,158	15,321
Amounts due to related companies and individuals (note (b))	537,770	540,151
Amounts due to immediate holding company (note (a))	67,231	40,525
Amounts due to ultimate holding company (note (a))	21,429	1,019,520
Amounts due to non-controlling interests at amortised cost (note (c))	2,549,428	2,637,428
Amounts due to non-controlling interests at fair value through profit or loss (note (d))	744,826	690,453
	<u>8,759,127</u>	<u>8,545,327</u>

Notes:

- (a) Amounts due to investee companies, a fellow subsidiary company, immediate holding company and ultimate holding company are unsecured, interest free and repayable on demand.
- (b) As at 30th September 2023, amounts due to related companies and individuals of HK\$4,942,000 (31st March 2023: HK\$4,917,000) bear interest at 1% (31st March 2023: 1%) per annum and remaining balances are interest free. The balances are unsecured and repayable on demand.
- (c) As at 30th September 2023, amounts due to non-controlling interests of HK\$839,153,000 (31st March 2023: HK\$839,153,000) bear interest at 5% (31st March 2023: 5%). The remaining balance is interest free. The balances are unsecured and repayable on demand.
- (d) The amounts due to non-controlling interests at fair value through profit or loss represented redeemable preference shares with a par value of US\$0.01 per share. The amount is redeemable at the net asset value of a subsidiary of the Group at any time by the holder. The fair value is estimated based on the net asset value of the subsidiary.

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NOTES TO THE INTERIM FINANCIAL INFORMATION

22 Notes to condensed consolidated statement of cash flows

(a) Reconciliation of profit before income tax to net cash generated from operations:

	Note	For the six months ended 30th September	
		2023 HK\$'000	2022 HK\$'000
(Loss)/profit before income tax		(4,042,121)	185,756
Depreciation of property, plant and equipment		60,848	65,381
Amortisation of right-of-use assets		24,701	25,286
Net change in fair values of investment properties		3,093,875	(1,078,752)
Net gain on disposal of property, plant and equipment		(1,041)	(536)
Write-off of property, plant and equipment		414	-
Net gain on disposal of interests in/liquidation of subsidiaries		(29,378)	-
Unrealised loss on financial assets at fair value through profit or loss and derivatives		2,176,636	2,493,274
Unrealised gain on loans receivable at fair value through profit or loss		(20,983)	(24,974)
Net write-back of loss allowances of financial assets		(71)	(4,935)
Finance income, net		(346,066)	(288,130)
Share of results of joint ventures		69,885	(428,826)
Share of results of associates		205,470	(62,448)
Net cash generated from operating profit before working capital changes		1,192,169	881,096
Decrease/(increase) in:			
Properties for sale		117,963	(146,721)
Trade and other receivables, deposits and prepayments		55,788	401,909
Financial assets at fair value through profit or loss		(2,534,053)	1,319,601
Increase/(decrease) in:			
Trade and other payables, deposits and accruals		1,090,580	(56,485)
Contract liabilities		8,714	286,946
Amount due to customers for contract work		(5,143)	-
Financial liabilities at fair value through profit or loss		223,182	98,107
Net cash generated from operations		149,200	2,784,453

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NOTES TO THE INTERIM FINANCIAL INFORMATION

22 Notes to condensed consolidated statement of cash flows (Continued)

(b) Disposal of interests in a subsidiary

On 10th May 2023, the Group entered into a sale and purchase agreement with an independent third party for sale of entire interests in a non-wholly owned subsidiary, Qingdao Sanyang Real Estate Co., Ltd., with 55% interests, which holds investment properties in Mainland China (the “Disposal”) at consideration of RMB304 million. The consideration was fully received and the Disposal was completed on 26th June 2023. Details of the disposal are as follows:

	HK\$'000
Net assets disposed of:	
Property, plant and equipment	30
Investment properties	547,239
Trade and other receivables	64,853
Cash and cash equivalents	3,939
Trade and other payables	(1,590)
	614,471
Non-controlling interests	(268,305)
55% of net assets disposed of	346,166
Net loss on disposal of interests in subsidiaries:	
Total consideration	328,319
Net assets disposed of	(346,166)
Release of exchange reserves	11,878
	(5,969)
Net cash inflow on disposal of interests in subsidiaries:	
Consideration received during the year	328,319
Cash and bank balances disposed of	(3,939)
	324,380

(c) Significant non-cash transactions

During the period ended 30th September 2022, dividends paid to non-controlling interest amounting to HK\$800,000,000 were settled through amounts due from non-controlling interest.

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23 Commitments

Other than those disclosed elsewhere in the condensed consolidated interim financial information, the Group has significant capital commitments as follows:

	As at 30th September 2023 HK\$'000	As at 31st March 2023 HK\$'000
Contracted but not provided for		
Investment properties (note (i))	304,548	919,202
Other investments (note (ii))	2,737,416	2,519,149
	<u>3,041,964</u>	<u>3,438,351</u>
Capital contribution to		
Joint ventures (note (iii))	239,926	254,249
	<u>3,281,890</u>	<u>3,692,600</u>

- (i) As at 30th September 2023 and 31st March 2023, the Group has capital commitments for investment properties under development and completed investment properties.
- (ii) As at 30th September 2023 and 31st March 2023, the Group has uncalled capital commitments to invest in the funds and direct investments. The commitments are subject to certain conditions described in the contracts.
- (iii) As at 30th September 2023, the Group has an outstanding commitment to contribute capital of HK\$239,926,000 (31st March 2023: HK\$252,153,000) to joint ventures for jointly developing residential, manufacturing and office properties and parking lot located in Hong Kong.

The aggregate lease payments under short-term leases and low-value leases are as follows:

	As at 30th September 2023 HK\$'000	As at 31st March 2023 HK\$'000
Third parties		
- not later than one year	2,603	1,850
- later than one year and not later than five years	19	150
	<u>2,622</u>	<u>2,000</u>

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24 Future operating lease receivables

At 30th September 2023 and 31st March 2023, the Group had future aggregate minimum lease receivables under non-cancellable operating leases in respect of the Group's investment properties and properties for sale as follows:

	As at 30th September 2023 HK\$'000	As at 31st March 2023 HK\$'000
Within one year	1,812,513	1,753,184
Between one and two years	1,450,139	1,439,669
Between two and three years	1,064,963	1,062,869
Between three to four years	742,630	740,038
Between four to five years	603,169	569,884
Later than five years	1,272,936	1,481,382
	<u>6,946,350</u>	<u>7,047,026</u>

25 Pledge of assets

At 30th September 2023 and 31st March 2023, the Group had pledged certain assets to secure borrowings of the Group. Their carrying values were as follows:

	As at 30th September 2023 HK\$'000	As at 31st March 2023 HK\$'000
Property, plant and equipment	2,153,131	1,187,837
Investment properties	48,123,384	50,808,996
Right-of-use assets	375,415	408,216
Financial assets at fair value through profit or loss	1,061,989	808,201
	<u>51,713,919</u>	<u>53,213,250</u>

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26 Significant related party transactions

Other than those disclosed elsewhere in the interim financial information, significant related party transactions which were carried out in the normal course of the Group's business during the period were as follows:

	For the six months ended 30th September	
	2023	2022
	HK\$'000	HK\$'000
Income:		
From related companies which are held by a close family member of directors of the Company		
- rental income (note)	<u>13,994</u>	<u>13,979</u>
Key management compensation	<u>62,572</u>	<u>62,747</u>

Note: Rental income from related companies for premises rented to related companies. The terms were determined by and agreed between both parties.